QUARTER 3 JUNE 2014

# Market Leader

NEW THINKING, DIFFERENT PERSPECTIVES

## The pivot to passive

### From screens to sensors

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# The pivot to passive

## The waning hold of consumer control and the shift from screens to sensors

The pivot to passive is the future of consumer digital technology, and with it will come a consumer marketplace more like the one that existed before the internet than after. This is not because of any attenuation of technology, but because the inexorable advance of digital technology is returning the balance of power, influence and control to marketers. **J Walker Smith** explains

NEW TECHNOLOGIES are set to make the emerging consumer marketplace more like the one that existed before the internet. This may suggest that consumers will have less say, but that is not at all what will happen. Rather, consumers will get even more of what they want by using the 'pivot to passive' to participate in a less hands-on way.

The important point is that the bottom-line for marketers is a new business model. The screens of active engagement are giving way to sensors tracking consumers, which, in turn, will make needs subordinate to situation and will anchor value in algorithms – all of it with marketers back in the driver's seat.

### A DRIVERLESS CAR IN EVERY CATEGORY

The commercialisation of the internet in the 1990s ushered in digital marketing. But only now, with the next wave of digital technologies going mainstream, is it apparent that digital marketing is not all of a piece. The first digital wave required active consumer engagement with screens. It has been presumed all along that this was the way technology connected with people, and thus marketers with consumers. Two decades on, this presumption has been undone by the pivot from a first wave of active digital to a future wave of passive digital, in which sensors, not screens, will be the primary interface. This is a shift as big as the rise of the internet itself.

Almost every previous advance in digital technologies has required active consumer engagement, even when convenience and ease of use have been the competitive point of difference. The pivot to passive is the first break in this trajectory. Active digital has moved to the slow lane while passive digital is picking up speed.

Perhaps most emblematic of the pivot to passive are driverless cars, which are

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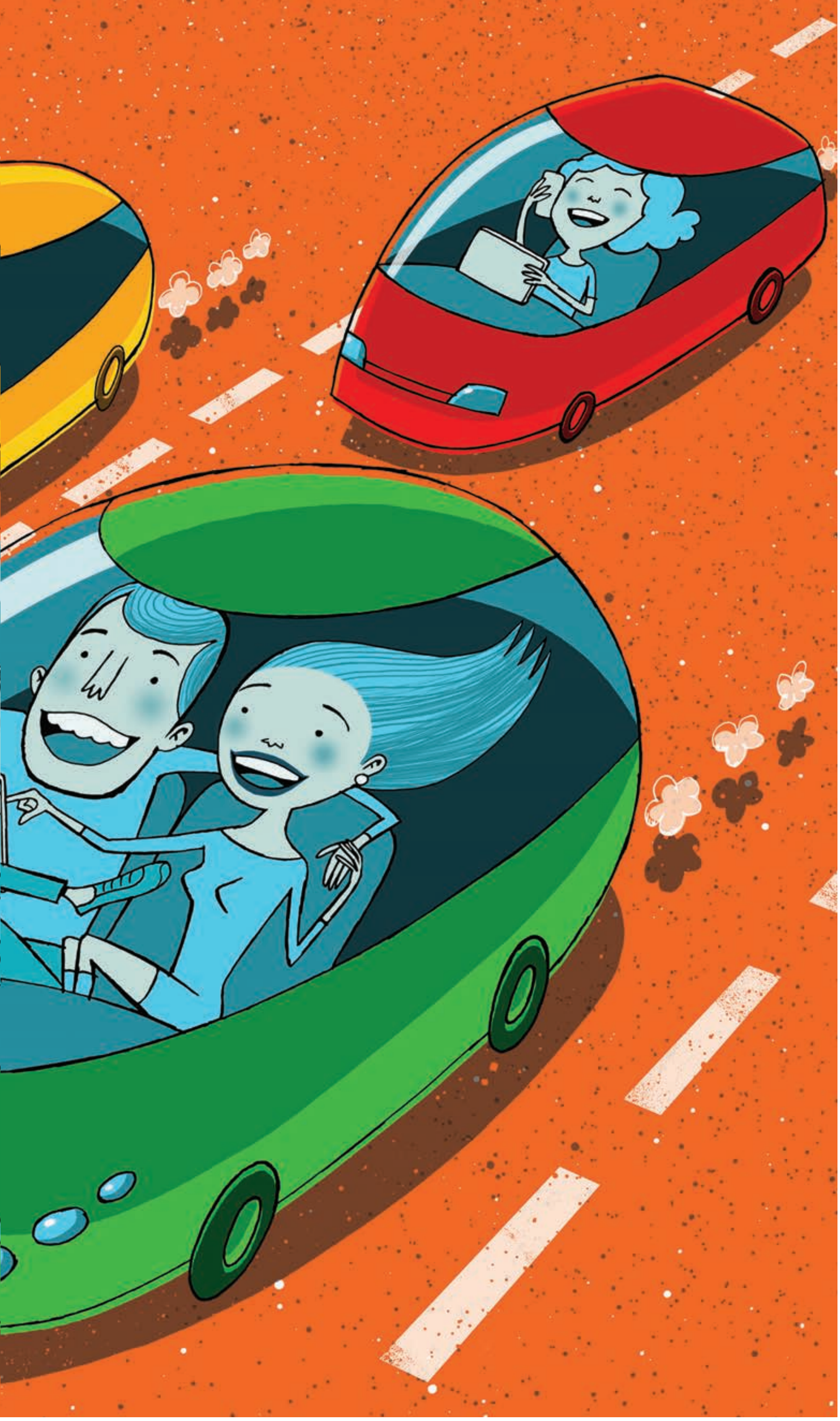

controlled by sensors that feed real-time data to digital systems that power and steer the vehicle. Minimal human input is needed. There are many hurdles yet to overcome, but this transportation future is just around the bend. Partially automated cars are on the road today, and fully automated cars are expected to be with us by 2025.

Driverless cars are passive consumerism: no active driving like before. Not only do consumers get to where they're going with technology in control, but they can now do additional things along the way as well. The pivot to passive is a better benefit equation. By giving up control, consumers obtain what they want, and then some. Consumers are spending the currency of control for a superior value proposition.

The equivalent of driverless cars is coming to every category, shifting control and pivoting engagement from predominantly active to predominantly passive. Such technologies include wearables such as headsets that select music based on real-time biometric data, or clothing that monitors physical states to boost performance or indicate mood, or smart watches that track a multitude of data about wearers and their surroundings as inputs into a variety of apps. Wearables stole the show this year at SXSW in Austin, Texas, and at Mobile World Congress in Barcelona. The January cover of *Wired* magazine carried the teaser: 'Why wearable tech will be as big as the smartphone.' Wearables are big, but they are just the tip of the iceberg.

Other kinds of technology pushing the pivot to passive include vending machines that make suggestions and remember preferences based on facial recognition systems and user databases, smart homes that automate functions and respond remotely to incoming signals and commands, continuous glucose monitors that sound alarms and shut off a diabetic's insulin pump when his or her blood sugar drops too low, and smart toothbrushes that collect and display data on brushing habits, even wirelessly transmitting it to dentists. Not to mention the plethora of handheld devices carried by consumers.

Add to this mix Amazon's anticipatory shipping software, which starts delivering packages before customers actually click to buy, and Apple's iBeacon, which automatically links an iPhone with other Bluetooth-equipped devices in the immediate vicinity to deliver an experience specific to that location. Foursquare closed another round of funding late last year to shift its technology from active geo-check-in to 'passive location awareness' so that it can recommend nearby places before consumers even start looking.

## FROM SCREENS TO SENSORS

In all these cases and more, the pivot to passive automates activities that consumers used to do themselves, from monitoring, to researching, to reporting, to deciding. The fundamental nature of this pivot is a shift from screens to sensors. Consumers are better able to tailor their experiences, but they do so through less, not more control, relinquishing influence and authority to technologies. In turn, these are the very same technologies with which marketers are regaining control in the marketplace.

Until the early 1990s, marketers (and retailers) dominated. Consumers were the sun around which everything revolved, but they took their cues from marketers. The internet changed that by empowering consumers with more access, more information and more creative opportunities. The result has been an explosion of user-generated content, online reviews, collaboration, co-creation, crowdsourcing, wikis, social networks and comment threads. In 2006, *Time* magazine celebrated the ▶

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ascendance of consumers by naming 'You' as its person of the year.

Contrast this with the classic advertising world remembered in AMC's hit show, *Mad Men*. In episode after episode, creative director Don Draper sits alone in his office, whiskey in hand, inventing from whole cloth the marketplace in which consumers will live. It's fiction embellished for dramatic effect, but as a picture of the days of yore, when marketers were in control, it provides a realistic point of contrast.

Yet this contrast is outdated. What's germane for tomorrow's marketplace was foreshadowed unintentionally by *Time* when it placed 'You' on its cover against a background image of a desktop screen. Passive digital engages consumers very differently from active digital. A screen demands active engagement. Consumers must touch it, key information into it, and be involved with it in many ways. Sensors perform passive monitoring. Consumers do little, often nothing. Sensors detect, report and trigger.

What digital technologies can do now to capture the moment was impractical and unaffordable in years past. Soon, though, little will go unrecorded by the 'internet of things', a network far larger and much faster-growing than the 'internet of people', encompassing not just data flows among objects, but those between people and objects, or sensors, too.

What's required of consumers is diminishing even as sensors learn more and more about them. As consumers step back, marketers are stepping up, due both to necessity and to opportunity. The necessity occasioned by the pivot to passive is the need for marketers to set up and program all the new technologies. The opportunity is simply that with data comes power.

As the 1990s unfolded, the internet opened up information to consumers, putting them in control. But with passive digital, the information advantage is returning to marketers because the sophistication and savvy needed to process passive digital data streams is something only marketers have the resources to command. So for marketers, more data translates directly into more control.

## THE DECLINE AND FALL OF 'YOU'

Not only is the next wave of digital different, but the old digital experience has reached a plateau. Across every sort of engagement, active digital is levelling out.

US tracking data from Pew shows that since the late 2000s, the percentage of people who blog or tweet is small and holding steady. The percentage actively checking in their geo-location is low and substantially declining. And 61% of US Facebook users say they have at least once taken a break from the network for several weeks or more, many because they have found it to be a "major waste of time".

The list of social networks that have come and gone, or seen better days, is long – GeoCities, SixDegrees, MakeOutClub, Friendster, MySpace, Classmates, LiveJournal and SecondLife, to name a few. They are a reminder of how hard it is to get consumers actively involved and then to sustain that involvement over time.

Reports on the declining number of active Wikipedia editors have sparked a lot of conversation about the upper bounds of user-generated content. Adding to this discussion are inventories of Wikipedia content that have turned up gaps in the scope and quality of coverage for a variety of topics, particularly entries about accomplished women or those related to issues of disproportionate interest to women.

These gender gaps have been attributed to a pronounced skew in the kinds of people – hyper-compulsive, technologically obsessed men – who are willing and able to volunteer their time to an open source project.

'Massive open online courses' (MOOCs), touted as the great equaliser of access to knowledge and learning, have extremely high dropout rates that have come to belie this promise. Even the pioneering former Stanford professor Sebastian Thrun, who introduced MOOCs to the wider world, has expressed disappointment in the very low numbers of people who complete an online course.

The declining participation in Kickstarter crowdfunding could well be due to the booming number of competitive sites. But when more competition turns from a tide that lifts all boats into a battle for share, it's likely that penetration of participation is slowing.

There are many reasons behind the pullback in active digital engagement, but one in particular is an increasing desire for unplugging. Over the past several years, a growing chorus of critics, including some medical researchers, have sounded alarms about the dangers of digital over-indulgence. For many consumers, the accelerating pace of life is overwhelming. More and more, there is interest in time away from technology to pause, refresh, regroup and renew. It is telling that *Fast Company*, long the herald of all things digital, has a page on its website with step-by-step instructions on how to unplug.

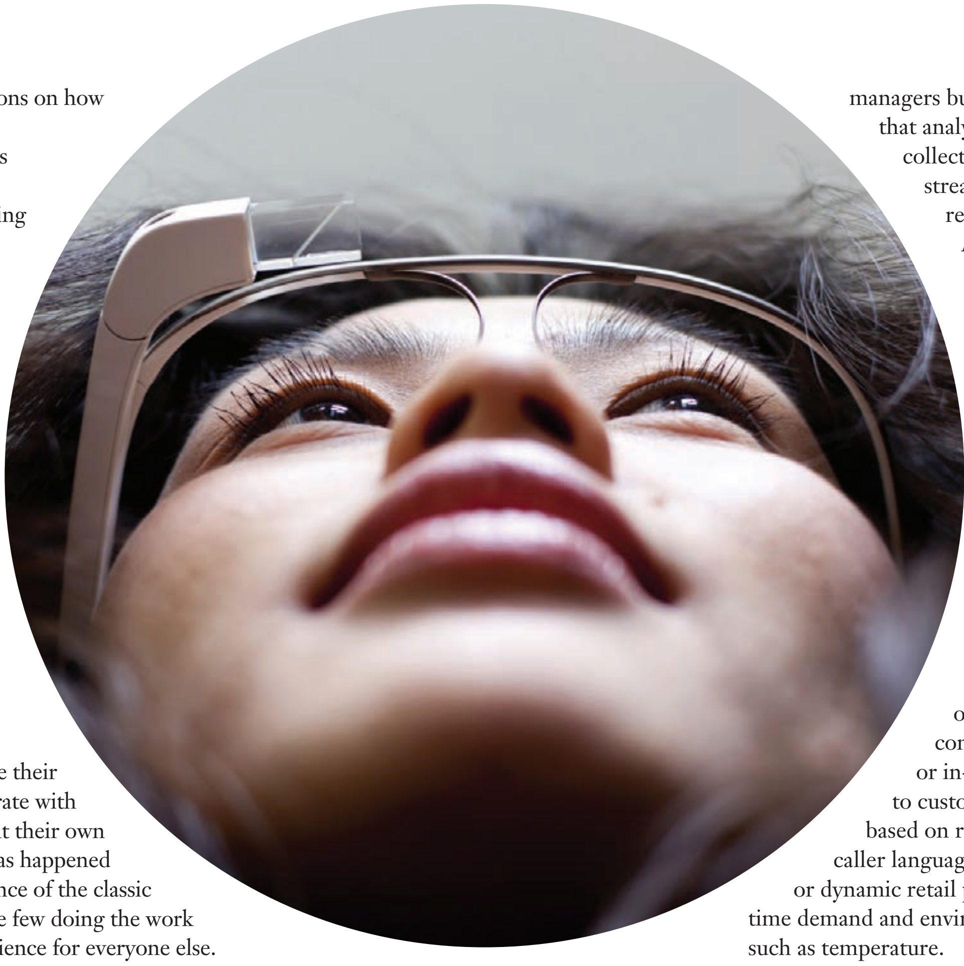
These few examples illustrate the wider phenomenon paralleling the pivot to passive. Instead of the mass taking control from a privileged few, as anticipated in the heady days of the 1990s, when the 'information superhighway' was going to give everybody access to everything, the evolution of active digital has reproduced the classic pattern of a small core in control. It was thought that everyone would create their own content, collaborate with one and all, and invent their own way forward. What has happened instead is the persistence of the classic pattern of a passionate few doing the work that defines the experience for everyone else.

But it's more than passion. It's concern about the integrity of the experience, too. Many who opened their properties to the crowd are now finding it necessary to re-establish control and authority to rein in excesses. *Popular Science* magazine made headlines last year when it closed its online site to comments, saying they were "bad for science" because they "skew" perceptions of a story. Others have taken similar steps for their websites, including *The New York Times*, Seth Godin, Andrew Sullivan, BoingBoing and Gawker.

The perceived need of many content providers – and many marketers – to regain and retain control was articulated best by James Fallows, a correspondent at *The Atlantic*, who explained that he does not allow comments on his online columns because, left to the crowd, without moderation by a central authority, a comment stream is "inevitably ruined by bullies, hotheads and trolls". So much, it seems, for letting the wisdom of the crowd off the leash.

## SITUATIONAL SELLING

The pivot to passive requires a different way of thinking about value in the marketplace. If consumer control is no longer the critical element of the operative business model, what is? The answer is situational selling.



**Wearable technology is an important driver in the pivot to passive**

The starting point of consumer control is the active expression of needs and preferences. Consumers create, thereby showing marketers what to do and where the marketplace is headed. The critical resource for marketers is flexible manufacturing that can produce whatever consumers say. Margins, and thus revenue, depend upon premium pricing for customisation.

By contrast, passive digital begins with information collected by sensors. The value proposition is less the customised fit consumers actively demand and more the predicted fit marketers calculate from passive digital data streams. Flexible manufacturing is essential, but analytics to make sense of the data are the critical resource. Revenue is earned through dynamic value propositions – price, especially – that are developed and matched in real-time. Increasingly, this will be accomplished by algorithms embedded in the data flow that trigger adaptive marketing tactics to fit particular situations.

Eventually, the system will run itself. Marketing agency will reside not in brand managers but in algorithms that analyse continuously collected passive data streams to make real-time adjustments. Algorithmic parameters will also be updated in real-time on the basis of observed patterns of behaviour and response.

This description of passive digital sounds futuristic but it is here already in things like real-time pricing of ad insertions for content about to go viral, or in-progress updates to customer service scripts based on real-time analytics of caller language and tone of voice, or dynamic retail pricing based on real-time demand and environmental conditions, such as temperature.

In the pivot to passive, value begins with what marketers learn from passive sensors, which ties value to the situation. Not just needs, but needs in the moment. In the pivot to passive, value is inherently occasion-based, and thus value is realised through situational selling.

Classic marketing principles related to things like branding and need-states are no less important, but in the pivot to passive, context is the pre-eminent consideration. This puts situation first. The very same needs are expressed differently in different situations. With the pivot to passive, explicit consideration of the situation finally moves to the centre of developing the best offer. The occasion dictates terms, not simply needs.

This is how the future of marketing practice itself can be anticipated. Rather than just predicting future needs, marketers must foresee the future situations in which consumers will find themselves and then, based on these forecasts, move swiftly to get a jump on what it will take to succeed in the coming pivot to passive.

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